



March 12, 2013

Mr. Hengel M. Richardson
President
Wards Corner Beauty Academy
7525 Tidewater Drive
Norfolk, VA 23505-3700

Sent Via E-Mail and UPS
Tracking Number:
1Z A54 67Y 01 9405 5947

RE: Final Program Review Determination
OPE ID: 02108800
PRCN: 201130327529

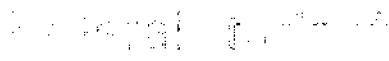
Dear Mr. Richardson:

The U.S. Department of Education's (Department's) Philadelphia School Participation Division issued a program review report on November 1, 2011 covering Wards Corner Beauty Academy's (WCBA's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2009-2010 and 2011-2012 award years. WCBA's final response was received on May 9, 2012. A copy of the program review report and WCBA's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by WCBA upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) notify WCBA of a possible adverse action.

Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that


U.S. DEPARTMENT OF EDUCATION
Philadelphia School Participation Division

The Wanamaker Building, 100 Penn Square East, Suite 511, Philadelphia, PA 19107
StudentAid.gov

application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

The total liabilities from this program review are \$7,402.13. This FPRD contains detailed information about the liability determination for the findings.

Please be advised that findings of Clery Act violations do not have a direct financial liability. However, AAASG will conduct an independent evaluation of the findings and determine if a fine is appropriate. Under the Department's regulations, an institution may be subject to a fine of up to \$27,500 for each violation of any provision of Title IV, including the Clery Act and its implementing regulations. 34 C.F.R. § 668.84 (a). In determining the amount of a fine, the Secretary considers both the gravity of the offense and the size of the institution. 34 C.F.R. § 668.92 (a). At this point, a timeframe for AAASG's completion of its independent review cannot be determined; however, as stated in the FPRD, if AAASG determines that a fine is appropriate, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the November 1, 2011 program review report. If WCBA wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date WCBA receives this FPRD. An original and four copies of the information WCBA submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

WCBA's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and

(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2).

The procedures followed with respect to WCBA's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24 (e)(1), (e)(2), and (e)(3).

If WCBA has any questions regarding this letter, please contact Mr. Robert Gelfand at (215) 656-8593. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

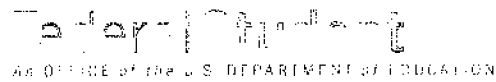
Nancy Paula Gifford
Division Director
Philadelphia School Participation Division

Enclosures: Protection of Personally Identifiable Information
Attachment A (November 1, 2011 Program Review Report)
Attachment B (Cost of Funds Worksheet)
WCBA's Official Program Review Response

cc: Ms. Jone S. Porter, Vice President of Compliance
National Accrediting Commission of Cosmetology Arts and Sciences
Virginia Department of Professional and Occupational Regulation

Prepared for

**Wards Corner
Beauty Academy**



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**OPE ID: 02108800
PRCN: 201130327529**

**Prepared by
U.S. Department of Education
Federal Student Aid
Philadelphia School Participation Division**

**Final Program Review Determination
March 12, 2013**

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A. Institutional Information

Wards Corner Beauty Academy
7525 Tidewater Drive
Norfolk, VA 23505-3700

Type: Proprietary

Highest Level of Offering: Non-Degree (1,500 Hours)

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 77 (as of June 6, 2011)

Percentage of Students Receiving Title IV Funds: 100% (2009-2010 Award Year)

Title IV Participation (per G5):

2009-2010 Award Year

Federal Pell Grant Program	\$ 920,103.28
Federal SEOG Program	\$ 8,375.00
William D. Ford Federal Direct Loan Program	\$1,171,705.08
TOTAL	\$2,100,183.36

2010-2011 Award Year

Federal Pell Grant Program	\$ 953,068.48
Federal SEOG Program	\$ 14,468.66
William D. Ford Federal Direct Loan Program	\$1,046,710.00
TOTAL	\$2,014,247.14

Default Rates:

Federal Direct Loan Program	2010	14.4%
(By Cohort Year)	2009	14.6%
	2008	16.0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Wards Corner Beauty Academy (WCBA) from May 16, 2011 to May 19, 2011. Mr. Robert Gelfand and Ms. Carmen Austin conducted the review.

The focus of the review was to determine WCBA's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of WCBA's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 (to May 16, 2011) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. Appendix B lists the name and social security numbers of: 1) a student included in WCBA's audit report for the period ending December 31, 2010, and 2) the additional students included in the institution's official response to the November 1, 2011 program review report. A copy of the program review report is enclosed as Attachment A.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning WCBA's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve WCBA of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Compliance Audit Report for the Period Ending on December 31, 2010

As specified in the December 22, 2011 final audit determination letter for WCBA's audit for the period ending on December 31, 2010, the auditor reported incorrectly (under Finding Number: 10-1: *Disbursements: Administrative Capability: FPELL & FDLP Over Award*) that \$2,675 in 2009-2010 Federal Pell Grant Program funds was returned 322 days late (on June 21, 2011) for one student - referenced as Student # 31 in this Final Program Review Determination (FPRD) letter.

On December 21, 2011, WCBA provided the student's account statement (Student Ledger), which noted that the \$2,675 was returned on December 14, 2011. However, no

additional documentation was received prior to the issuance of the final audit determination letter to substantiate this return. Therefore, WCBA was advised in that letter that the resolution of the audit finding would be closed to program review.

The \$2,675 downward adjustment was processed in the Common Origination and Disbursement (COD) System on December 23, 2011. According to G5, the funds were returned on January 26, 2012. Since WCBA has resolved the matter, the audit finding is closed.

Resolved Findings

WBCA has taken the corrective actions necessary to resolve Findings # 5, 6 and 7 in the program review report. Therefore these findings may be considered closed.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of WCBA's response to the finding, and the Department's final determination for that finding.

Finding # 1: Ineligible Student

Citation Summary:

A student is eligible to receive Title IV program funds if the student is a regular student enrolled in an eligible program at an eligible institution and has a high school diploma or its recognized equivalent or has obtained a passing score on an independently administered ability to benefit (ATB) test. *34 C.F.R. § 668.32.*

Noncompliance Summary:

WCBA's policy is to obtain a copy of a high school diploma or GED certificate or have a student take an ATB test before enrollment.

(b)(6),(b)(7)(C) did not have a high school diploma, GED certificate or ATB test with a passing score. Further, the student answered "Other" to the "High School or Equivalent" question on the FAFSA, as noted on the 2009-2010 Institutional Student Information Record (ISIR).

On May 18, 2011, during the on-site part of the program review, the Corporate Financial Aid Officer disclosed in a written notice to the Department that the Admissions Department made an error and the student was allowed to start the Barber Program "without any documentation of education."

As of November 1, 2011, when the program review report was issued, \$2,675 in 2009-2010 Federal Pell Grant Program, \$50 in FSEOG Program and \$554 in subsidized Federal Direct Loan Program funds remained disbursed to the student.

An institution that fails to establish a student's eligibility for Title IV program funds deprives other needy students of funds and creates a financial burden for the Department.

Required Action Summary:

WCBA was instructed to send a copy of (b)(6),(b)(7)(C) high school diploma or GED certificate with the institution's official response to the program review report. Since the student was no longer enrolled at WCBA, the student could not take an ATB test.

WCBA's Response:

WCBA concurred with the finding. In the institution's January 5, 2012 response to the program review report, WCBA reported that the funds were returned.

Final Determination:

The Department has determined that (b)(6),(b)(7)(C) received Title IV program funds, even though the student did not provide WCBA with a high school diploma or GED certificate. Further, the student did not take an ATB test.

WCBA's policy is to obtain a copy of a high school diploma or GED certificate or have the student take an ATB test before enrollment.

WCBA stated in the institution's January 5, 2012 response to the program review report that the Title IV program funds disbursed for (b)(6),(b)(7)(C) were returned. However, the funds were not actually returned until February 2012.

According to G5, \$2,675 in 2009-2010 Federal Pell Grant Program funds and \$50 in 2009-2010 FSEOG Program funds were returned on February 15, 2012. The \$50 in FSEOG Program funds was erroneously returned to WCBA's 2009-2010 Federal Pell Grant Program account in G5, but the Department transferred the funds to the FSEOG Program account. The COD downward adjustment for the Federal Pell Grant Program funds was made on February 21, 2012. Per G5, \$553 in Federal Direct Loan Program funds was returned on February 15, 2012, and the COD downward adjustments were made on February 24, 2012 and May 7, 2012.

The finding will be closed when the assessed interest for the funds has been sent to the Department and the 2011-2012 Fiscal Operations Report and Application to Participate (FISAP) is corrected for FSEOG. Once this is completed, the FSEOG balance in G5 will be adjusted appropriately.

Please see Section D, Summary of Liabilities, and Section E, Payment Instructions, for more information regarding the liability for this finding.

Finding # 2: Improper Federal Direct Loan Disbursement

Citation Summary:

Federal regulations state that a student is eligible to receive a Federal Direct Subsidized Loan, a Federal Direct Unsubsidized Loan, or a combination of these loans, if the student is enrolled, or accepted for enrollment, on at least a half-time basis in an institution that participates in the Federal Direct Loan Program. 34 C.F.R. § 685.200 (a).

Further, per 34 C.F.R. § 668.22 (a)(5)(iii)(A), an institution must provide within 30 days of the date of the institution's determination that the student withdrew a written notification to the student, or parent in the case of parent PLUS loan, that:

- Requests confirmation of any post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account identifying the type and amount of those loan funds and explaining that a student, or parent in the case of a parent PLUS loan, may accept or decline some or all of those funds.
- If the student, or parent in the case of a parent PLUS loan, does not respond to the institution's notice, no portion of the post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account, nor any portion of loan funds that would be disbursed directly to the student, or parent in the case of a parent PLUS loan, may be disbursed.
- Explains the obligation of the student, or parent in the case of a parent PLUS loan, to repay any loan funds he or she chooses to have disbursed.

An institution must document in the student's file the result of any notification made of the student's right to cancel all or a portion of loan funds or of the student's right to accept or decline loan funds, and the final determination made concerning the disbursement.

Noncompliance Summary:

WCBA disbursed 2010-2011 Federal Direct Loan Program funds to (b)(6),(b)(7)(C) after the student withdrew from the institution. However, WCBA did not request or receive confirmation from the student for a post-withdrawal disbursement.

(b)(6),(b)(7)(C) began attending WCBA on June 2, 2010 and withdrew from the institution on July 24, 2010. A Return of Title IV Funds calculation was subsequently completed. Even though the outcome did not change, it was important to note that WCBA incorrectly used the *"Treatment of Title IV Funds When a Student Withdraws From A Clock-Hour*

Program" form for a student whose withdrawal date was on or after November 1, 2007 and before July 1, 2010. The institution was required to use the *"Treatment of Title IV Funds When a Student Withdraws From A Clock Hour Program"* form for a student whose withdrawal date was after July 1, 2010.

The calculation indicated that the student would be eligible to receive \$1,742 in subsidized and \$2,985 in unsubsidized 2010-2011 Federal Direct Loan Program funds as a post withdrawal disbursement. WCBA subsequently disbursed the funds on September 2, 2010. However, as stated previously, the funds were disbursed without the student's consent. The funds were not returned until March 25, 2011.

An institution's failure to ensure that all students are eligible prior to disbursing Federal funds may cause the institution to receive funds to which it is not entitled, which causes increased expense for the Department.

Required Action Summary:

In WCBA's audit for the period ending on December 31, 2010, the auditor reported in Finding # 10-2: *Refunds: Incorrect/Late R2T4*, that there were four instances where Federal Direct Loan Program funds were disbursed after the student withdrew. The funds were disbursed without the student's consent. The auditor reported that the funds were returned five to 12 months late.

The auditor recommended that WCBA *"conduct a 100% file review of remaining withdrawn students to determine if the remaining R2T4 calculation were performed correctly and required funds were returned on a timely basis."* In its June 30, 2011 corrective action plan, WCBA reported that the institution would *"complete a 100% file review of remaining withdrawn students and forward this to our auditor when complete."*

WCBA was required to send a copy of the file review with a summary of the results with the institution's official response to the program review report.

Further, WCBA was also instructed to review and revise the institution's policies and procedures to ensure that if a Return of Title IV Funds calculation indicated potential eligibility for a post-withdrawal Federal Direct Loan Program disbursement, the institution would adhere to all of the requirements specified in 34 C.F.R. § 668.22 before making the disbursement.

A copy of WCBA's revised policies and procedures were to be included with the institution's official response to the program review report.

WCBA's Response:

WCBA concurred with the finding. In the institution's response to the program review report, the results of the file review were provided, along with a copy of WCBA's Refund Policy.

Final Determination:

The Department has determined that WCBA disbursed 2010-2011 Federal Direct Loan Program funds to (b)(6),(b)(7)(C) after the student withdrew from the institution. The institution did not request or receive confirmation from the student for a post-withdrawal disbursement.

WCBA was required to send a copy of a file review conducted for Finding # 10-2: *Refunds: Incorrect/Late R2T4*, in the institution's audit for the period ending on December 31, 2010, along with a summary of the results with the official response to the program review report.

On May 9, 2012, the auditor provided the results of the (revised) file review. Of the 113 withdrawn students, there were 16 late Return of Title IV Funds payments out of 59 payments due. The total of all of the payments due was \$184,791, with an error rate of 14.2%. The payments were made between seven and 533 days late, with the last three payments made, according to the auditor, on May 7, 2012.

On July 9, 2012, the Department sent WCBA a letter informing the institution that a 25% untimely return letter of credit (LOC) was required in the amount of \$46,198 due to the error rate associated with the late Return of Title IV Funds payments ($\$184,791 / 25\% = \$46,197.75$).

The Department received the \$46,198 LOC in October 2012. The LOC expiration date is September 30, 2014. Since corrective action was taken for Finding # 2, the finding is closed.

Finding # 3: Verification Violations

Citation Summary:

Federal regulations require an institution that participates in the Title IV programs to accurately and completely verify certain data elements for those applications that have been "selected" by the Central Processing System (CPS). Data elements are verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. For this reason, participating institutions must require applicants selected for verification to provide acceptable documentation that will

verify or update the information used to calculate the applicant's Estimated Family Contribution (EFC).

An institution must have an applicant selected for verification submit acceptable documentation that will verify or update the information used to determine the applicant's EFC. The documentation to be verified includes: (a) Adjusted gross income and U.S. income tax paid; (b) Number of family members in household; (c) Number of family household members enrolled in postsecondary institutions; and (d) Untaxed income and benefits. The verification documentation must be secured and retained in the student's file. *34 C.F.R. § 668, Subpart E.*

An institution shall require an applicant selected for verification to verify adjusted gross income and U.S. income tax paid by submitting, if relevant, a copy of the income tax return of the applicant, his or her spouse, and his or her parents. The copy of the return must be signed by the filer of the return or by one of the filers of a joint return. *34 C.F.R. § 668.57 (a)(1).*

An institution may accept in lieu of a copy of an income tax return signed by the filer of the return or one of the filers of a joint return, a copy of the filer's return that has been signed by the preparer of the return or stamped with the name and address of the preparer of the return. *34 C.F.R. § 668.57(a)(7).* The tax return must have the tax preparer's stamped, typed, signed, or printed name (not the name of the company) and SSN (Social Security Number), EIN (Employer Identification Number), or PTIN (Preparer Tax Identification Number). *The 2009-2010 Federal Student Aid Handbook, Application and Verification Guide, Chapter 4, Page AVG-90.*

Further, an institution must develop and apply an adequate system to identify and resolve discrepancies in the information received from different sources with respect to a student's application for financial aid under the Title IV programs. *34 C.F.R. § 668.16 (f).*

If a student's application is selected for verification, he or she must complete the verification process or forfeit Federal student aid eligibility. The institution has the authority to withhold the disbursement of any funds until the student completes verification. Such a policy ensures that a student's application information and eligibility determination are accurate before any funds are disbursed.

Noncompliance Summary:

WCBA did not complete the verification process for (b)(6),(b)(7)(C).

For (b)(6),(b)(7)(C) the 2009-2010 ISIR indicated that the parent filed a 2008 Federal Income Tax return and had an adjusted gross income of \$27,275. During the on-site part

of the program review, the Vice-President of Compliance reported that a copy of the tax return was not received.

For (b)(6),(b)(7)(C) the number of students in college reported on the 2010-2011 Verification Worksheet: (1) did not match the number of students in college on the 2010-2011 Institutional Student Information Report (ISIR), and (2) \$125 in income (child support received) was not verified by WCBA.

The failure of an institution to complete verification may result in the improper disbursement of Title IV program funds.

Required Action Summary:

WCBA was advised to resolve the verification discrepancies for (b)(6),(b)(7)(C) and provide the documentation used to complete the verification process to the Department with the institution's official response to the program review report.

WCBA was also instructed to review and revise the institution's policies and procedures to ensure that verification is completed properly for all students. A copy of WCBA's revised policies and procedures was to be included with the response.

WCBA's Response:

WCBA concurred with the finding for (b)(6),(b)(7)(C) and was not able to resolve the verification issue.

WCBA did not concur with the finding for (b)(6),(b)(7)(C). The institution reported that the number of students in college reported on the ISIR matched the Verification Worksheet. However, the ISIR sent to Department in WCBA's official response to the program review report was the Transaction 05 ISIR, which was dated May 19, 2011. The Transaction 05 ISIR was not provided prior to the issuance of the program review report. Therefore, the finding was based on the Transaction 04 ISIR. It is important to note that the \$125 in child support received was not on the Transaction 05 ISIR. However, the matter is considered closed because the student's EFC did not change as a result of the adjustment. No further action is necessary for (b)(6),(b)(7)(C) in regards to this finding.

A copy of "Wards Corner Beauty Academy Verification Policy" was also sent with the official response to the program review report.

Final Determination:

WCBA did not complete the verification process for (b)(6),(b)(7)(C). The verification issue for (b)(6),(b)(7)(C) is considered resolved and closed.

The \$6,242 in 2009-2010 Federal Pell Grant Program funds (the total amount of Title IV program funds disbursed for the award year) for (b)(6),(b)(7)(C) must be returned to the Department and the corresponding negative disbursement adjustments made in COD.

The finding will be closed when the \$6,242 liability and the assessed interest has been returned to the Department.

Please see Section D, Summary of Liabilities, and Section E, Payment Instructions, regarding the liability due for this finding.

Finding # 4: FSEOG Matching Requirement Not Met

Citation Summary:

34 C.F.R. § 676.21 states that the Federal share of Federal Supplemental Educational Opportunity Grant (FSEOG) Program funds made by an institution, except under certain circumstances, may not exceed 75 percent of the amount of FSEOG awards made by that institution.

The non-Federal share of FSEOG Program funds must be made from the institution's own resources, which include for this purpose: 1) Institutional Grants and Scholarships, 2) Tuition or Fee Waivers, 3) State Scholarships, and 4) Foundation or other charitable organization funds.

Noncompliance Summary:

WCBA did not post a "School Scholarship disbursement" (institutional share) of FSEOG Program funds for (b)(6),(b)(7)(C). The students received a Federal share of FSEOG Program funds ranging from \$37 to \$50. Four of the (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) received the "School Scholarship disbursement" on May 19, 2011.

Failure to deposit the institutional matching share into the FSEOG account causes increased expense for the Department and may impact the funds available for eligible students.

Required Action Summary:

WCBA was required to review the accounts of all of the students who were enrolled at the institution from July 1, 2010 to the date of the program review report (November 1, 2011) to identify the students who received a Federal share of FSEOG Program funds, but did not receive an institutional share (School Scholarship disbursement).

WCBA was instructed to compile the results of its file review in a spreadsheet. In addition to the spreadsheet, the institution was instructed to provide a copy of the Student

Ledger for all of the students who received the Federal share of SEOG Program funds in the 2010-2011 award year.

Finally, the institution was required to review and revise its policies and procedures to ensure that every student who receives an FSEOG share also receives an institutional share. A copy of WCBA's revised policies and procedures was to be included with the official response to the program review report.

WCBA's Response:

WCBA concurred with the finding. As referenced previously, (b)(6),(b)(7)(C) examined during the program review received a "School Scholarship disbursement" on May 19, 2011. In its official response, WCBA retroactively (the date on the Student Ledger is September 3, 2010) provided a "School Scholarship disbursement" for \$13 to Student # 10. Further, WCBA provided an updated Student Ledger for Student # 17, which indicated that a "School Scholarship disbursement" for \$25 was made on April 17, 2012.

As a result of the file review, 17 additional students were identified as receiving the Federal share of FSEOG Program funds during the 2010-2011 award year, but without the "School Scholarship disbursement." Sixteen of the students dropped out or were expelled and one student graduated.

A copy of "Wards Corner Beauty Academy FSEOG Policy" was also sent with the official response to the program review report.

Final Determination:

WCBA did not post a "School Scholarship disbursement" (institutional share) of FSEOG Program funds for Students # 4, 10, 16, 17, 18 and 21. The students received a Federal share of FSEOG Program funds ranging from \$37 to \$50. Subsequently, these students received a "School Scholarship disbursement."

WCBA was required to review the accounts of all of the students who were enrolled at the institution from July 1, 2010 to the date of the program review report to identify the students who received a Federal share of FSEOG Program funds, but did not receive the "School Scholarship disbursement." Seventeen additional students were identified as the recipients of a Federal share of FSEOG Program funds without receiving the "School Scholarship disbursement."

The Federal share of the FSEOG Program funds for the 17 students must be returned to the Department. The following chart contains a list of the students and the funds received that must be returned:

Student Number	Federal Share of FSEOG Program Funds
(b)(6); (b)(7)(C)	\$37
	\$37
	\$75
	\$38
	\$75
	\$38
	\$75
	\$38
	\$75
	\$38
	\$63
	\$34
	\$37
	\$37
	\$38
	\$50
	\$50
Total	\$835

The finding will be closed when WCBA: 1) makes the corrections to the institution's 2012-2013 FISAP, and 2) makes the appropriate payment through G5 for any unprocessed deobligation (if applicable).

Please see Section D, Summary of Liabilities, and Section E, Payment Instructions, for more information regarding the liability for this finding.

Finding # 8: Campus Security Requirements Not Met

Citation Summary:

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (*Clery Act*) and the Department's regulations require that all institutions participating in Title IV, HEA financial aid programs prepare a comprehensive Annual Security

Report (ASR) that contains, at a minimum, all of the statistical and policy elements described in 34 C.F.R. § 668.46 (b). The ASR must be prepared and distributed as a single document. The only exception to this requirement is that the ASR may cross-reference information regarding the institution's alcohol and other drug abuse prevention programs required by § 120 (a)-(d) of the Higher Education Act. 34 C.F.R. § 668.46 (a)(10).

An institution must provide the ASR to all current students and employees through appropriate publications and mailing. Acceptable means of delivery include regular U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. § 668.41 (e)(1).

An institution's crime statistics must be presented in accordance with the following geographical categories: (i) On campus; (ii) Of the crimes reported on campus, the number of crimes that took place in dormitories or other residential facilities; (iii) In or on a non-campus building or property; and, (iv) on public property that is accessible from and/or adjacent to the campus. 34 C.F.R. § 668.46 (c)(4).

Finally, an institution also must submit its crime statistics to the Department in the manner prescribed by the Secretary for inclusion in the Office of Postsecondary Education's (OPE) "Campus Safety and Security Data Analysis Cutting Tool." 34 C.F.R. § 668.41 (e)(5).

Noncompliance Summary:

WCBA did not comply with the reporting requirements of the *Clery Act*. During its analysis, the Department identified numerous errors and omissions in the institution's 2010 ASR (which was required to be distributed by October 1, 2010). The 2010 ASR covered the crime statistics for the 2007, 2008 and 2009 calendar years. Here were the components of the violation:

- Categories of Crime not described properly.
- Arrest/Disciplinary Actions not described properly.
- No information regarding hate crimes.
- Lack of: 1) policies/procedures and consumer information requirements regarding crime reporting/prevention, 2) sexual assault programs to prevent sex

offenses/procedures to follow when an offense occurred, and 3) no information regarding where a list of registered sex offenders could be obtained.

- The January 2011 catalog and Barber and Cosmetology Perspective catalogs referenced information obtained from the Norfolk Police Department only, but all three catalogs were for the Norfolk and Virginia Beach campuses.
- The January 2011 catalog had crimes reported but did not reference any time period, while the Perspective catalogs reported no crimes from January 1, 2009 to December 31, 2009.

The OPE web site noted that six robberies occurred on Public Property for the Norfolk campus in 2008, but there were no robberies in 2007 or 2009. As such, it appeared that the data may have been inaccurate.

Failure to prepare an accurate and complete ASR and to actively distribute it to current students and employees in accordance with the Department's regulations deprives the campus community of important security information.

Required Action Summary:

As a result of this violation, WCBA was required to ensure that its 2011 ASR due no later than October 1, 2011 included all of the statistical disclosures and policy, procedure, and programmatic information required under 34 C.F.R. § 668.46 (b). A copy of the 2011 ASR was to accompany the institution's response to the program review report. Once the 2011 ASR was evaluated by the Department for accuracy and completeness, WCBA was required to take all necessary steps to ensure that if the report required revision, the revised ASR was then actively distributed to all current students and employees in accordance with 34 C.F.R. § 668.41 (e) and that full compliance with the requirement was documented. WCBA was also required to develop and implement procedures for preparing and distributing the ASR in accordance with Federal regulations and a copy of the procedures was also to accompany the official response to the program review report.

In addition, with the official response, WCBA was required to include a copy of the crime statistics that the institution received from the local police departments that were incorporated into the 2011 ASR for the Norfolk and Virginia Beach locations.

WCBA's Response:

In its official response to the program review report, WCBA provided a copy of the institution's 2011 ASR, along with information downloaded from the Internet regarding the number of crimes that occurred surrounding the Norfolk and Virginia Beach locations (Public Property). In subsequent correspondence received on March 30, 2012, WCBA provided additional details about the crimes near both locations.

Final Determination:

The Department has determined that at the time of the review, WCBA's 2010 ASR did not have the following required policy statements:

1. Consumer information requirements regarding crime reporting/prevention.
2. Sexual assault programs to prevent sex offenses and procedures to follow when an offense occurs.
3. Information regarding where a list of registered sex offenders may be obtained.

WCBA made the required modifications to the institution's 2011 ASR. As of the date of this FPRD letter, the 2012 ASR is posted to the institution's web site under "Consumer Info," which the Department was able to view.

WCBA is advised that corrective actions for a campus security violation will not diminish the seriousness of the violation and can never in any regard cure it. Therefore, corrective actions taken do not eliminate the possibility that an administrative action may be imposed by the Department's Administrative Actions and Appeals Service Group.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows:

Actual Liabilities by Finding	Pell Closed Award Year	FSEOG	Direct Loan	Liability Paid / COD Adjustment Completed
December 31, 2010 Audit	\$2,675.00	\$0.00	\$0.00	Yes/Yes
Finding # 1	\$2,675.00	\$50.00	\$553.00	Yes*/Yes
Finding # 3	\$6,242.00	\$0.00	\$0.00	No/No
Finding # 4	\$0.00	\$835.00	\$0.00	No / COD - N/A
Subtotal	\$11,592.00	\$885.00	\$553.00	
Interest	\$301.81	.00	\$23.32	
Subtotal	\$11,893.81	\$885.00	\$576.32	
Less Amounts Already Paid	\$5,350.00	\$50.00	\$553.00	
TOTAL	\$6,543.81	\$835.00	\$23.32	
Payable to the Department	\$6,543.81	\$835.00	\$23.32	
TOTAL	\$7,402.13			

*Interest is due to the Department.

Please see Attachment B (Cost of Funds Worksheet) for information regarding how the interest for the liability was determined.

E. Payment Instructions

1. Liabilities Owed to the Department in the case of Title IV Grants

WCBA must pay \$6,242 in 2009-2010 Federal Pell Grant Program funds to the Department for Finding # 3. In addition, the institution must pay \$301.81 in interest for Findings # 1, 3 and for the late payment for Student # 31 in the audit report for the period ending on December 31, 2010. **The Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.**

The adjustments in COD for Student # 7 (Finding # 3, Verification Violations) must be completed prior to remitting payment to the Department. A copy of the adjustments to the student's COD record must be sent to Mr. Gelfand within 45 days of the date of this FPRD letter.

2. Liabilities Owed to the Department in the case of Direct Loans

WCBA must pay \$23.32 in interest to the Department for Finding # 1.

Payment of \$6,567.13 (\$6,242 + \$301.81 + 23.32 = \$6,567.13) of the liability must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment of the \$6,567.13 must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, as stated previously, the institution must first make any required adjustments in COD.

The following identification data must be provided with the payment:

Amount:	\$6,567.13
DUNS:	050994300
TIN:	540785110
PRCN:	201130327529

FISAP Corrections

In regards to the FSEOG Program liabilities for Findings # 1 and 4:

WCBA must make corrections to its FISAP for the 2011-2012 and 2012-2013 award year as follows:

- Log into eCB and make change(s) to the Working Copy, click on Submit and choose "Change Request." Provide the justification for the changes in the comments box, including that the changes are a result of a program review and include the PRCN (201130327529).
- Once the request is approved, submit the changes within five days.
- Changes to the FISAP may result in changes to subsequent FISAPs. Contact the eCB Call Center at (877) 801-7168 for assistance in making this determination.
- If the recalculation of the school's funding results in an unprocessed deobligation (negative balance) because the school has drawn down its full authorization, return those funds via G5 in accordance with the automated notification from eCB. If the school has not drawn down its full authorization, the authorization will be reduced.

WCBA must submit proof of the FISAP corrections and payment via G5 for any unprocessed deobligation (if applicable) to Mr. Gelfand **within 45 days of the date of this letter.**

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department **within 45 days of the date of this letter.** If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. WCBA is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, please contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to WCBA's account representative.

If full payment cannot be made **within 45 days of the date of this letter**, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6111
Washington, DC 20202-4461

If within 45 days of the date of this letter, WCBA has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due WCBA from the Federal Government. **WCBA may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, WCBA must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

F. Appendices

Appendices A and B contain personally identifiable information. As a result, this FPRD letter will also be sent to WCBA as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file will be sent in a separate email.

Appendix A
Wards Corner Beauty Academy
Program Review Student Sample

2009-2010 Award Year

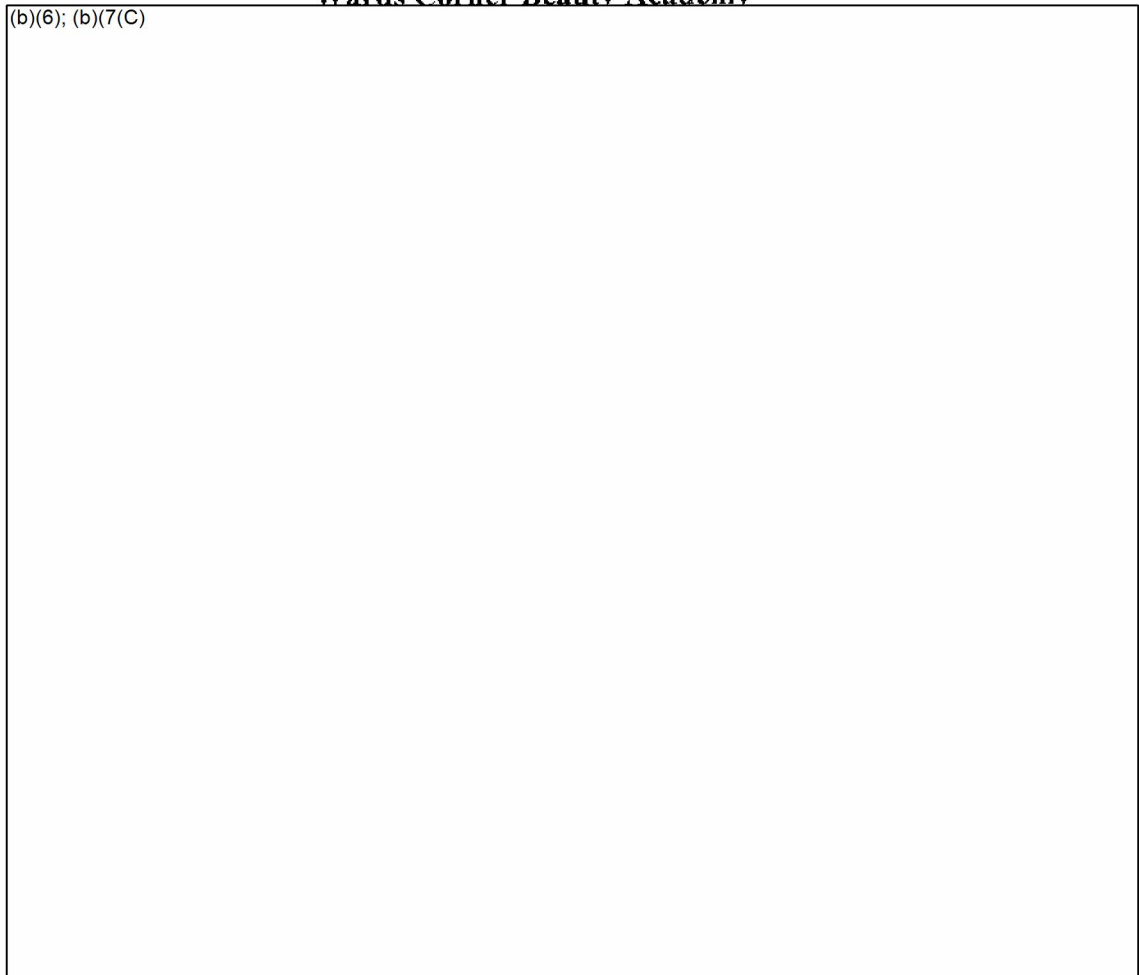
Student #	SSN	Name
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(b)(6); (b)(7)(C)		
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Appendix B

Wards Corner Beauty Academy

(b)(6); (b)(7)(C)



PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.



November 1, 2011

Mr. Hengel M. Richardson
President
Wards Corner Beauty Academy
7525 Tidewater Drive
Norfolk, VA 23505-3700

Certified Mail
Return Receipt Requested
7005 1160 0001 1518 5595

RE: **Program Review Report**
OPE ID: 02108800
PRCN: 201130327529

Dear Mr. Richardson:

From May 16, 2011 through May 19, 2011, Mr. Robert Gelfand and Ms. Carmen Austin conducted a review of Wards Corner Beauty Academy's administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by Wards Corner Beauty Academy. The response should include a brief, written narrative for each finding that clearly states Wards Corner Beauty Academy's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, Wards Corner Beauty Academy must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

Federal Student Aid, School Participation Team, NE - Philadelphia
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3323
www.FederalStudentAid.ed.gov

- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
- a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by Wards Corner Beauty Academy upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Mr. Gelfand of this office within 60 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Program Review Student Sample. The appendix was encrypted and sent separately to the institution via e-mail. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

Record Retention:

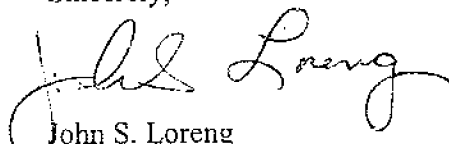
Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24 (c).

Wards Corner Beauty Academy
OPE ID: 02108800
PRCN: 201130327529
Page 3 of 3

Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report.

If you have any questions concerning this report, please contact Mr. Gelfand at (215) 656-8593 or by e-mail at Robert.Gelfand@ed.gov.

Sincerely,


John S. Loreng
Team Leader

cc: Ms. Jone S. Porter, Vice President of Compliance

Enclosures: Protection of Personally Identifiable Information
Program Review Report

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

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- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for

**Wards Corner
Beauty Academy**



START HERE
GO FURTHER
FEDERAL STUDENT AID

OPE ID: 02108800
PRCN: 201130327529

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Team, NE - Philadelphia

Program Review Report

November 1, 2011

The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3323
www.FederalStudentAid.ed.gov

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A. Institutional Information

Wards Corner Beauty Academy
7525 Tidewater Drive
Norfolk, VA 23505-3700

Type: Proprietary

Highest Level of Offering: Non-Degree (1,500 Hours)

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences

Current Student Enrollment: 77 (as of June 6, 2011)

Percentage of Students Receiving Title IV Funds: 100% (2009-2010 Award Year)

Title IV Participation (per G5):

2009-2010 Award Year

Federal Pell Grant Program	\$ 939,460.48
Federal SEOG Program	\$ 8,375.00
William D. Ford Federal Direct Loan Program	<u>\$1,214,013.08</u>
TOTAL	\$2,161,848.56

Default Rates:

Federal Direct Loan Program	2008	16.0%
(By Cohort Year)	2007	13.1%
	2006	10.1%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Ward's Corner Beauty Academy (WCBA) from May 16, 2011 to May 19, 2011. Mr. Robert Gelfand and Ms. Carmen Austin conducted the review.

The focus of the review was to determine WCBA's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of WCBA's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 (to May 16, 2011) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning WCBA's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve WCBA of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by WCBA to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding # 1: Ineligible Student

Citation:

A student is eligible to receive Title IV funds if the student is a regular student enrolled in an eligible program at an eligible institution and has a high school diploma or its recognized equivalent or has obtained a passing score on an independently administered ability to benefit (ATB) test. *34 C.F.R. § 668.32.*

Noncompliance:

WCBA's policy is to obtain a copy of a high school diploma or GED certificate or have the student take an independently administered Ability-to-Benefit (ATB) test before enrollment.

Student # 11 did not have a high school diploma, GED certificate or ATB test with a passing score. Further, the student answered "Other" to the "High School or Equivalent" question on the FAFSA, as noted on the 2009-2010 Institutional Student Information Record (ISIR).

On May 18, 2011, during the on-site part of the program review, the Corporate Financial Aid Officer disclosed in a written notice to the Department that the Admissions Department made an error and the student was allowed to start the Barber Program *"without any documentation of education."*

Student # 11 began attending WCBA on February 2, 2010, but subsequently withdrew; the date of determination according to the Return of Title IV Funds calculation was April 15, 2010. The student received \$2,675 in 2009-2010 Federal Pell Grant Program funds and \$50 in 2009-2010 Federal Supplemental Educational Opportunity Grant (FSEOG) Program funds on February 10, 2010. In addition, the student received \$1,742 in subsidized and \$2,985 in unsubsidized 2009-2010 Federal Direct Loan Program funds on March 10, 2010. According to the Student Ledger, \$1,188 of the subsidized loan and the entire \$2,985 of the unsubsidized loan were returned on May 5, 2010. The downward adjustments were reported to COD.

As of this date, \$2,675 in 2009-2010 Federal Pell Grant Program, \$50 in FSEOG Program and \$554 in subsidized Federal Direct Loan Program funds remain disbursed to the student.

An institution that fails to establish a student's eligibility for Title IV funds deprives other needy students of funds and creates a financial burden for the Department.

Required Action:

WCBA must submit a copy of Student # 11's high school diploma or GED certificate with the institution's official response to this program review report. Since the student is no longer enrolled at WCBA, the student cannot take an independently administered ATB test.

Payment instructions for any determined liability will be provided in the Final Program Review Determination letter.

Finding # 2: Improper Federal Direct Loan Disbursement

Citation:

Federal regulations also state that a student is eligible to receive a Federal Direct Subsidized Loan, a Federal Direct Unsubsidized Loan, or a combination of these loans, if the student is enrolled, or accepted for enrollment, on at least a half-time basis in an institution that participates in the Federal Direct Loan Program. *34 C.F.R. § 685.200 (a)*.

Further, per 34 C.F.R. § 668.22 (a)(5)(iii)(A), an institution must provide within 30 days of the date of the institution's determination that the student withdrew a written notification to the student, or parent in the case of parent PLUS loan, that:

- Requests confirmation of any post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account identifying the type and amount of those loan funds and explaining that a student, or parent in the case of a parent PLUS loan, may accept or decline some or all of those funds.
- If the student, or parent in the case of a parent PLUS loan, does not respond to the institution's notice, no portion of the post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account, nor any portion of loan funds that would be disbursed directly to the student, or parent in the case of a parent PLUS loan, may be disbursed.
- Explains the obligation of the student, or parent in the case of a parent PLUS loan, to repay any loan funds he or she chooses to have disbursed.

An institution must document in the student's file the result of any notification made of the student's right to cancel all or a portion of loan funds or of the student's right to accept or decline loan funds, and the final determination made concerning the disbursement.

Noncompliance:

WCBA disbursed 2010-2011 Federal Direct Loan Program funds to Student # 24 after the student withdrew from the institution. However, the institution did not request or receive confirmation from the student for a post-withdrawal disbursement.

Student # 24 began attending WCBA on June 2, 2010 and withdrew from the institution on July 24, 2010. As such, a Return of Title IV Funds calculation was completed. Even though the outcome did not change, it is important to note that WCBA incorrectly used the "*Treatment of Title IV Funds When a Student Withdraws From A Clock-Hour Program*" form for a student whose withdrawal date was on or after November 1, 2007 and before July 1, 2010. The institution was required to use the "*Treatment of Title IV Funds When a Student Withdraws From A Clock Hour Program*" form for a student whose withdrawal date was after July 1, 2010.

The calculation indicated that the student would be eligible to receive \$1,742 in subsidized and \$2,985 in unsubsidized 2010-2011 Federal Direct Loan Program funds as a post withdrawal disbursement. WCBA subsequently disbursed the funds on September 2, 2010. However, as stated previously, the funds were disbursed without the student's consent. The funds were not returned until March 25, 2011.

An institution's failure to ensure that all students are eligible prior to disbursing Federal funds may cause the institution to receive funds to which it is not entitled, which causes increased expense for the Department.

Required Action:

In WCBA's audit for the period ended December 31, 2010, the auditor reported in Finding # 10-2: *Refunds: Incorrect/Late R2T4*, that there were four instances where Federal Direct Loan Program funds were disbursed after the student withdrew. The funds were disbursed without the student's consent. The auditor reported that the funds were returned five to 12 months late.

The auditor recommended that WCBA *"conduct a 100% file review of remaining withdrawn students to determine if the remaining R2T4 calculation were performed correctly and required funds were returned on a timely basis."* In its corrective action plan, dated June 30, 2011, WCBA reported that the institution would *"complete a 100% file review of remaining withdrawn students and forward this to our auditor when complete."*

WCBA must submit a copy of the file review with a summary of the results with the institution's official response to this program review report.

WCBA must also review and revise the institution's policies and procedures to ensure that if a Return of Title IV Funds calculation indicates potential eligibility for a post-withdrawal Federal Direct Loan Program disbursement, the institution adheres to all of the requirements specified in 34 C.F.R. § 668.22 before making the disbursement. A copy of WCBA's revised policies and procedures must be included with the institution's official response to this program review report.

Finally, please be advised that the two other findings in the audit for the period ended December 31, 2010 will be addressed in the audit resolution process.

Payment instructions for any determined liability will be provided in the Final Program Review Determination letter.

Finding # 3: Verification Violations

Citation:

Federal regulations require an institution that participates in the Title IV programs to accurately and completely verify certain data elements for those applications that have been "selected" by the Central Processing System (CPS). Data elements are verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. For this reason, participating institutions must require applicants selected for verification to provide acceptable documentation that will verify or update the information used to calculate the applicant's Estimated Family Contribution (EFC).

An institution must have an applicant selected for verification submit acceptable documentation that will verify or update the information used to determine the applicant's EFC. The documentation to be verified includes: (a) Adjusted gross income and U.S. income tax paid; (b) Number of family members in household; (c) Number of family household members enrolled in postsecondary institutions; and (d) Untaxed income and benefits. The verification documentation must be secured and retained in the student's file. *34 C.F.R. § 668, Subpart E.*

An institution shall require an applicant selected for verification to verify adjusted gross income and U.S. income tax paid by submitting, if relevant, a copy of the income tax return of the applicant, his or her spouse, and his or her parents. The copy of the return must be signed by the filer of the return or by one of the filers of a joint return. *34 C.F.R. § 668.57 (a)(1).*

An institution may accept in lieu of a copy of an income tax return signed by the filer of the return or one of the filers of a joint return, a copy of the filer's return that has been signed by the preparer of the return or stamped with the name and address of the preparer of the return. *34 C.F.R. § 668.57(a)(7).* The tax return must have the tax preparer's stamped, typed, signed, or printed name (not the name of the company) and SSN (Social Security Number), EIN (Employer Identification Number), or PTIN (Preparer Tax Identification Number). *The 2009-2010 Federal Student Aid Handbook, Application and Verification Guide, Chapter 4, Page AVG-90.*

Further, an institution must develop and apply an adequate system to identify and resolve discrepancies in the information received from different sources with respect to a student's application for financial aid under the Title IV programs. *34 C.F.R. § 668.16 (f).*

If a student's application is selected for verification, he or she must complete the verification process or forfeit Federal student aid eligibility. The institution has the authority to withhold the disbursement of any funds until the student completes

verification. Such a policy ensures that a student's application information and eligibility determination are accurate before any funds are disbursed.

Noncompliance:

WCBA did not complete the verification process for Students # 7 and 22.

For Student # 7, the 2009-2010 ISIR indicated that the parent filed a 2008 Federal Income Tax return and had an adjusted gross income of \$27,275. During the on-site part of the program review, the Vice-President of Compliance, in response to an inquiry, reported that a copy of the tax return was not received.

For Student # 22, the number of students in college reported on the 2010-2011 Verification Worksheet: (1) did not match the number of students in college on the 2010-2011 Institutional Student Information Report (2). In addition, \$125 in income (child support received) was not verified by WCBA.

The failure of an institution to complete verification may result in the improper disbursement of Title IV funds.

Required Action:

WCBA should attempt to complete the verification process and resolve the discrepancies for Students # 7 and 22. All documentation received must be submitted with the institution's response to this program review report.

Further, WCBA must also review and revise the institution's policies and procedures to ensure that verification is completed properly for all students. A copy of WCBA's revised policies and procedures must be included with the official response to this program review report.

Payment instructions for any determined liability will be provided in the Final Program Review Determination letter.

Finding # 4: FSEOG Matching Requirement Not Met

Federal regulations at 34 C.F.R. § 676.21 state that the Federal share of the FSEOG Program made by an institution, except under certain circumstances, may not exceed 75% of the amount of FSEOG awards made by that institution.

The non-Federal share of SEOG awards must be made from the institution's own resources, which include for this purpose: 1) Institutional Grants and Scholarships, 2) Tuition or Fee Waivers, 3) State Scholarships, and 4) Foundation or other charitable organization funds.

Noncompliance:

WCBA did not post a "School Scholarship disbursement" (institutional share) for Students # 4, 10, 16, 17, 18 and 21 in the program review sample. All six students received a Federal share of FSEOG funds ranging from \$37 to \$50. Four of the students (# 4, 16, 18 and 21) received a "School Scholarship disbursement" on May 19, 2011 during the on-site program review.

Failure to deposit the institutional matching share into the FSEOG account causes increased expense for the Department and may impact the funds available for eligible students.

Required Action:

In its response to this program review report, WCBA must review the accounts of all students who were enrolled at the institution from July 1, 2010 to the date of this program review report to identify all of the students who received a Federal share of SEOG Program funds and did not receive an institutional share (School Scholarship disbursement).

The institution must compile the results of its file review in a spreadsheet. The spreadsheet must be provided in both hardcopy and electronic format and be prepared in the following format:

1. Student Name;
2. Social Security Number;
3. Amount of Federal Share of SEOG Disbursement;
4. Institutional Share Provided Prior to File Review(Yes/No); and
5. Amount of Institutional Share.

In addition to the spreadsheet, WCBA must provide a copy of the Student Ledger for all students who received FSEOG Program funds in the 2010-2011 award year.

Finally, the institution must review and revise its policies and procedures to ensure that every student who receives an FSEOG share also receives an institutional share. A copy of WCBA's revised policies and procedures must also be included with the official response to this program review report.

Payment instructions for any determined liability will be provided in the Final Program Review Determination letter.

Finding # 5: Untimely Reporting to NSLDS

Citation:

Federal regulations at 34 C.F.R. § 685.309 (b) state that an institution shall, upon receipt of a Student Status Confirmation Report (SSCR) from the Secretary, complete and return that report within 30 days of receipt. Further, unless the institution expects to submit its next SSCR to the Secretary within the next 60 days, the institution must notify the Secretary with 30 days if a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who:

- Enrolled at the institution but has ceased to be enrolled on at least a half-time basis;
- Has been accepted for enrollment at the institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or
- Has changed his or her permanent address.

Noncompliance:

WCBA did not report enrollment status data to the National Student Loan Data System (NSLDS) timely for 23 students in the program review sample during the 2009-2010 and 2010-2011 award years.

The following chart provides details regarding the enrollment status of the 23 students.

Student Number	Effective Date of Student Enrollment Status	Status	Date of Determination	Date Certified in NSLDS by Institution
1	1/18/2011	Graduated	1/18/2011	7/5/2011
2	1/5/2011	Graduated	1/5/2011	7/5/2011
4	7/16/2010	Withdrawn	N/A	1/18/2011
5	11/4/2010	Graduated	11/4/2010	5/9/2011
6	4/16/2010	Graduated	4/16/2010	9/7/2010
7	7/9/2010	Graduated	7/9/2010	1/18/2011
9	1/4/2011	Withdrawn	N/A	7/5/2011
10	8/14/2010	Withdrawn	N/A	1/18/2011
11	3/18/2010	Withdrawn	N/A	9/7/2010
12	8/18/2010	Withdrawn	N/A	1/18/2011
13	5/14/2010	Graduated	5/14/2010	11/11/2010

Student Number	Effective Date of Student Enrollment Status	Status	Date of Determination	Date Certified in NSLDS by Institution
14	5/15/2010	Graduated	5/15/2010	11/11/2010
15	1/13/2011	Graduated	1/13/2010	7/5/2011
18	2/16/2011	Withdrawn	N/A	7/5/2011
19	1/11/2011	Graduated	1/11/2011	7/5/2011
20	10/2/2010	Withdrawn	N/A	5/9/2011
22	9/24/2010	Withdrawn	N/A	3/15/2011
24	7/24/2010	Withdrawn	N/A	1/18/2011
25	2/16/2011	Withdrawn	N/A	7/5/2011
27	9/8/2010	Withdrawn	N/A	3/15/2011
28	12/21/2010	Graduated	12/21/2010	5/9/2011
29	7/20/2010	Withdrawn	N/A	1/18/2011
30	3/5/2011	Graduated	3/5/2011	7/5/2011

An institution's failure to report student enrollment status data timely to NSLDS may delay or prevent the student's eligibility for in-school status, deferment, grace periods, repayments, and the payment of interest subsidies.

Required Action:

Enrollment status reporting is critical for the effective administration of Federal loans and the accuracy of student loan records depends heavily on the information reported by an institution. An institution is ultimately responsible for timely and accurate reporting, even when it uses a third party servicer to submit Enrollment Reporting files.

In response to this finding, WCBA must review and revise the institution's policies and procedures to ensure that enrollment status data is reported timely to NSLDS. A copy of WCBA's revised policies and procedures must be included with the official response to this program review report.

Finding # 6: Excess Cash Balances Maintained

Federal regulations at 34 C.F.R. § 668.166 state that the Secretary considers excess cash to be any amount of Title IV funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution: 1) received those funds from the Secretary; or 2) deposited or transferred to its Federal account previously disbursed Title IV funds received from the Secretary, such as those resulting from award adjustments, recoveries, or cancellations.

Noncompliance:

WCBA did not disburse Title IV funds within three business days to students for one of the 18 draws from G5 examined by the Department.

Per G5, \$19,001 in 2010-2011 Federal Direct Loan Program funds was drawn from G5 on April 26, 2011. The funds were deposited into the institution's bank account on April 27, 2011. According to the Student Ledgers provided for this draw, \$22,316 was disbursed to nine students (\$2,889 on May 3, 2011 and \$19,427 on May 5, 2011). The funds were disbursed one and three business days late, respectively.

An institution's maintenance of excess cash causes a loss to the government in interest expense and could affect the funds available for eligible students at other institutions.

Required Action:

WCBA should review its policies and procedures to ensure that all Title IV funds are credited to student accounts no later than the end of the third business day following the date the institution: 1) received those funds from the Secretary; or 2) deposited or transferred to its Federal account previously disbursed Title IV funds received from the Secretary, such as such as those resulting from award adjustments, recoveries, or cancellations.

No additional action is required.

Finding # 7: Entrance and Exit Counseling Loan Counseling Not Completed

Citation:

Federal regulations state that an institution must conduct entrance loan counseling prior to making the first disbursement of the proceeds of a Direct Subsidized or Direct Unsubsidized Loan to a borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, Federal Unsubsidized Stafford, or Federal SLS Loan.

The counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the institution must ensure that an individual with knowledge of the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions.

In addition, an institution must ensure that exit loan counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the institution.

The exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the institution must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program approved for credit at the home institution, the student borrower may be provided with written counseling materials within 30 days after the student borrower completes the program.

If a student borrower withdraws from the institution without the institution's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after the school learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required.

Finally, an institution must maintain documentation substantiating compliance with the entrance and exit loan counseling requirements for each student borrower. *34 C.F.R. § 685.304 (a) and (b)*.

Noncompliance:

WCBA did not complete entrance loan counseling for Students # 2, 5 and 7. In addition, the institution did not complete exit loan counseling for Students # 19, 22, 25, 28 and 30.

An institution's failure to provide entrance and exit loan counseling to students in accordance with Federal requirements may result in increased student loan defaults and cause increased expense for the Department.

Required Action:

In response to this finding, WCBA must conduct a file review of all students who graduated or withdrew from the institution during the 2010-2011 award year. WCBA must send the appropriate exit loan counseling documentation to all students for whom the institution is unable to document sufficient exit loan counseling. The institution must send a list of these students to the Department, along with verification that exit counseling documentation was sent to each student.

WCBA must also review and revise its loan counseling policies and procedures to ensure that all students receive both entrance and exit loan counseling. A copy of WCBA's revised policies and procedures must also be included with the official response to this program review report.

Finding # 8: Campus Security Requirements Not Met

Citation:

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (*Clery Act*) and the Department's regulations require that all institutions participating in Title IV, HEA financial aid programs prepare a comprehensive annual security report (ASR) that contains, at a minimum, all of the statistical and policy elements described in 34 C.F.R. § 668.46 (b). The ASR must be prepared and distributed as a single document. The only exception to this requirement is that the ASR may cross-reference information regarding the institution's alcohol and other drug abuse prevention programs required by § 120 (a)-(d) of the Higher Education Act. 34 C.F.R. § 668.46 (a)(10).

An institution must provide the ASR to all current students and employees through appropriate publications and mailing. Acceptable means of delivery include regular U.S. Mail, hand delivery, or campus mail distribution to the individual or posting on the institution's website. If an institution chooses to distribute its report by posting to an internet or intranet site, the institution must, by October 1 of each year, distribute a notice to all students and employees that includes a statement of the report's availability and its exact electronic address, a description of its contents, as well as an advisement that a paper copy will be provided upon request. 34 C.F.R. § 668.41 (e)(1).

An institution's crime statistics must be presented in accordance with the following geographical categories: (i) On campus; (ii) Of the crimes reported on campus, the number of crimes that took place in dormitories or other residential facilities; (iii) In or on a non-campus building or property; and, (iv) on public property that is accessible from and/or adjacent to the campus. 34 C.F.R. § 668.46 (c)(4).

Finally, an institution also must submit its crime statistics to the Department in the manner prescribed by the Secretary for inclusion in the Office of Postsecondary Education's "Campus Safety and Security Data Analysis Cutting Tool." 34 C.F.R. § 668.41 (e)(5).

Noncompliance:

WCBA did not comply with the reporting requirements of the *Clery Act*. During its analysis, the Department identified numerous errors and omissions in the institution's 2009 ASR (which was required to be distributed by October 1, 2010).

Here are the components of the violation:

- Categories of Crime not described properly.
- Arrest/Disciplinary Actions not described properly.

- No information regarding hate crimes.
- Lack of: 1) policies/procedures and consumer information requirements regarding crime reporting/prevention, 2) sexual assault programs to prevent sex offenses/procedures to follow when an offense occurs, and 3) no information regarding where a list of registered sex offenders may be obtained.
- The January 2011 catalog and Barber and Cosmetology Perspective catalogs reference information obtained from the Norfolk Police Department only, but all three catalogs are for the Norfolk and Virginia Beach campuses.
- The January 2011 catalog has crimes reported but does not reference any time periods while the Perspective catalogs report no crimes from January 1, 2009 to December 31, 2009.
- The OPE web site noted that six robberies occurred on Public Property for the Norfolk campus in 2008 but there were no robberies in 2007 or 2009. As such, it appears that this data could be inaccurate.

Failure to prepare an accurate and complete ASR and to actively distribute it to current students and employees in accordance with Federal regulations deprives the campus community of important security information.

Required Action:

As a result of this violation, WCBA must ensure that its 2010 ASR due no later than October 1, 2011 includes all of the statistical disclosures and policy, procedure, and programmatic information required under 34 C.F.R. § 668.46 (b). A copy of the 2010 ASR must accompany the institution's response to this program review report. Once the 2010 ASR is evaluated by the review team for accuracy and completeness, WCBA is required to take all necessary steps to ensure that if the report requires revision, the revised ASR is then actively distributed to all current students and employees in accordance with 34 C.F.R. § 668.41 (e) and that full compliance with this requirement is documented. WCBA must also develop and implement procedures for preparing and distributing the ASR in accordance with Federal regulations and a copy of these procedures also must accompany the official response to this program review report.

In addition, the official response must include a copy of the crime statistics that WCBA received from the local police departments that are incorporated into the 2010 ASR for the Norfolk and Virginia Beach locations.

WCBA is advised to review the Department's Campus Safety and Security Reporting Handbook, which provides extensive information in this area. The web address for the Handbook is <http://www2.ed.gov/admins/lead/safety/campus.htm>.

Based on an evaluation of all available information including WCBA's response, the Department will determine if additional actions will be required and will advise the Institution accordingly in its Final Program Review Determination.

D. Appendices

Appendix A (Program Review Student Sample) contains personally identifiable information. As a result, the FPRD will be e-mailed to WCBA as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file will be sent in a separate email. **The mailed hardcopy report will not contain Appendix A.**

Appendix A
Wards Corner Beauty Academy
Program Review Student Sample

2009-2010 Award Year

Student #	SSN	Name
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(b)(6); (b)(7)(C)		
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Attachment B

Cost of Funds Worksheet - Direct Loan

Name of Institution: Wards Corner Beauty Academy

Finding Number	Student Number	Disbursement	Program	Disbursement Date	Loan Paid Date	No. of Days	Interest	Due to the Department
1	11	\$553.00	DL Sub	03/10/11	02/15/12	342	4.50%	\$23.32

Wards Corner Beauty Academy
7527 Tidewater Drive
Norfolk, VA 23505

RECEIVED

JAN 09 2012

FEDERAL STUDENT AID

Federal Student Aid, School Participation Team, NE- Philadelphia
The Wannamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3323

RE: Response to Program Review Report
OPE ID: 02108800

January 5, 2012


Dear Mr. Gelfand,

This letter is in response to the Program Review Report for Wards Corner Beauty Academy referenced above. The response is in the same order as the findings in the report.

Finding #1: Ineligible Student
Finding #2: Improper Federal Direct Loan Disbursement
Finding #3: Verification Violations
Finding #4: FSEOG Matching Requirements not met
Finding #5: Untimely Reporting to NSLDS
Finding #6: Excess Cash Balances Maintained
Finding #7: Entrance and Exit Counseling Loan Counseling Not Completed
Finding #8: Campus Security Requirements Not Met

If you have any questions in regards to the Wards Corner Beauty Academy's response, please feel free to contact us at 757-583-3300.

Respectively Yours,


J. Porter
Vice President of Compliance

cc: Hengel Mark Richardson, CEO
Kia Marley, Corporate Financial Aid Administrator

Finding #1: Ineligible Student

Noncompliance: WCBA's policy is to obtain a copy of a high school diploma or GED certificate to have the student take an independently administered Ability-to-Benefit (ATB) test before enrollment.

Student #11 did not have a high school diploma, GED Certificate or ATB test with a passing score. Further, the student answered "Other" to the "High School Or Equivalent" questions on the FAFSA, as noted on the 2009-2010 Institutional Student Information Record (ISIR).

On May 18, 2011, during the on-site part of the program review, the Corporate Financial Aid Officer disclosed in a written notice to the Department that the Admissions Department made an error and the student was allowed to start the Barber Program "without any documentation of education."

Student #11 began attending WCBA on February 2, 2010, but subsequently withdrew; the date of determination according to the Return to Title IV funds was April 15, 2010. The student received \$2,675 in 2009-2010 Federal Pell Grant Program funds and \$50 in 2009-2010 Federal Supplemental Educational Opportunity Grant (FSEOG) Program funds on February 10, 2010. In addition, the student received \$1,742 in subsidized and \$2,985 in unsubsidized 2009-2010 Federal Direct Loan Program funds on March 10, 2010. According to Student Ledger, \$1,188 of the subsidized loan and the entire \$2,985 of the unsubsidized loan were returned on May 5, 2010. The downward adjustments were reported to COD.

As of this date, \$2,675 in 2009-2010 Federal Pell Grant Program, \$50 in FSEOG Program and \$554 in subsidized Federal Direct Loan Program funds remain disbursed to the student.

An institution that fails to establish a student's eligibility for Title IV funds deprives other needy students of funds and creates a financial burden for the Department.

Required Action:

WCBA must submit a copy of Student #11's high school diploma or GED certificate with the institution's official response to this program review report. Since the student is no longer enrolled at WCBA, the student cannot take an independently administered ATB test.

Response:

Student #11 does not have a high school diploma or GED certificate. The student did not take the Ability-to-Benefit test prior to enrolling in the Barber program. The institution has refunded the \$554 subsidized loan, \$2675 federal pell grant, and \$50 FSEOG.

This student enrolled in the program in June 2010, since that time WCBA has strengthened its enrollment process to ensure all enrolled students meet the admissions requirements of the institution and are eligible for Title IV.

No attachment.

Finding #2: Improper Federal Direct Loan Disbursement

Noncompliance: WCBA disbursed 2010-2011 Federal Direct Loan Program funds to Student #24 after the student withdrew from the institution. However, this institution did not request or receive confirmation from the student for a post-withdrawal disbursement.

Student #24 began attending WCBA on June 2, 2010 and withdrew from the institution on July 24, 2010. As such, a Return of Title IV Funds calculation was completed. Even though the outcome did not change, it is important to note that WCA incorrectly used the "Treatment of Title IV Funds When a Student Withdraws from a Clock Hour Program" form for a student whose withdrawal date was on or after November 1, 2007 and before July 1, 2010. The institution was required to use the "Treatment of Title IV Funds When a Student Withdraws from a Clock Hour Program" form for a student whose withdrawal date was after July 1, 2010.

The calculation indicated that the student would be eligible to receive \$1,742 in subsidized loan and \$2,985 in unsubsidized 2010-2011 Federal Direct Loan Program funds as a post withdrawal disbursement. WCBA subsequently disbursed the funds on September 2, 2010. However, as stated previously, the funds were disbursed without the student's consent. The funds were not returned until March 25, 2011.

An institutions failure to ensure that all students are eligible prior to disbursing Federal funds may cause the institution to receive funds to which it is not entitled, which causes increased expense for the Department.

Required Action:

In WCBA's audit for the period ended December 31, 2010, the auditor reported in Finding #10-2: Refunds: Incorrect/Late R2T4, that there were four instances where Federal Direct Loan Program funds were disbursed after the student withdrew. The funds were disbursed without the student's consent. The auditor reported that the funds were returned five to 12 months late.

The auditor recommended that WCBA "conduct a 100% file review of remaining withdrawn students to determine if the remaining R2T4 calculation were performed correctly and required funds were returned on a timely basis." In its corrective action plan, dated June 30, 2011, WCBA reported that the institution would "complete a 100% file review of remaining withdrawn students and forward this to our auditor when complete."

WCBA must submit a copy of the file review with a summary of the results with the institution's official response to this program review report.

WCBA must also review and revise the institution's policies and procedures to ensure that if a Return of Title IV funds calculation indicates potential eligibility for a post-withdrawal Federal Direct Loan Program disbursement, the institution adheres to all of the requirements specified in 34 C.F.R 668.22 before making the disbursement. A copy of WCBA's revised policies and procedures must be included with the institution's official response to this program review report.

Response:

The institution is aware of the correct R2T4, Student #24 withdrew shortly after the form changed and the institution accidentally used the earlier version of the R2T4 form. The school will not release any post withdrawal loan funds to students without proper documentation from the student or parent to disburse those funds.

Finding #3: Verification Violation

Noncompliance: WCBA did not complete the verification process for student #7 and 22.

For student #7, the 2009-2010 ISIR indicated that the parent filed a 2008 Federal Income Tax return and had an adjusted gross income of \$27,275. During the on-site part of the program review, the Vice President of Compliance, in response to an inquiry, reported that a copy of the tax return was not received.

For student #22, the number of students in college reported on the 2010-2011 Verification Worksheet: (1) did not match the number of students in college on the 2010-2011 Institutional Student Information Record (2). In addition, \$125 in income (child support received) was not verified by WCBA.

The failure of an institution to complete verification may result in the improper disbursement of Title IV funds.

Required Action:

WCBA should attempt to complete the verification process and resolve the discrepancies for Students #7 and 22. All documentation received must be submitted with the institution's response to this program review report.

Further WCBA must also review and revise the institution's policies and procedures to ensure that verification is completed properly for all students. A copy of WCBA's revised policies and procedures must be included with the official response to this program review report.

Response:

For student #7, WCBA has a 2009-2010 Verification Worksheet and the student's tax returns. Student #7 was a dependent student and mother's tax returns were reported on the 2009-2010 ISIR. The institution does not have on file a copy of the mother's tax returns. We concur with this finding.

For student #22, WCBA has a 2010-2011 Verification Worksheet and parent's tax returns. A copy is attached for review. The institution does not agree with the verification violation for student #22. Upon our review the student completed a 2010-2011 Verification Worksheet which documents 5 in the household, 1 in college. This matches the ISIR. The student was dependent, on page 2, the mother signed the Verification Worksheet and no other financial information is noted except "Check here if you are attaching a signed copy of your parents' tax return(s)". The 2009 tax returns are provided for the parent. The student noted on page 2 of the Verification Worksheet "Check here if you will not file and are not required to file a 2009 U.S. Income Tax Return".

Attached:

*Exhibit D: 2010-2011 Verification Worksheet for Student #22
Income Tax Returns 2009 for Student #22
ISIR for Student #22*

*Exhibit E: Wards Corner Beauty Academy Verification Policy
Verification for Dependent Student
Verification for Independent Student*

Finding #4: FSEOG Matching Requirement Not Met

Noncompliance: WCBA did not post a "School Scholarship disbursement" (institutional share) for Students #4, 10, 16, 17, 18, and 21 in the program review sample. All six students received a Federal share of FSEOG funds ranging from \$37 to \$50. Four of the students (#4, 16, 18, and 21) received a "School Scholarship disbursement" on May 19, 2011 during the on-site program review.

Failure to deposit the institutional matching share into the FSEOG account causes increased expense for the Department and may impact the funds available for eligible students.

Required Action:

In its response to this program review report, WCBA must review the accounts of all students who were enrolled at the institution from July 1, 2010 to the date of this program review report to identify all of the students who received a Federal share of SEOG Program funds and did not receive an institutional share (School Scholarship disbursement).

The institution must compile the results of its file review in a spreadsheet. The spreadsheet must be provided in both hardcopy and electronic format to be prepared in the following format:

- 1. Student Name*
- 2. Social Security Number*
- 3. Amount of Federal Share of SEOG Disbursement;*
- 4. Institutional Share Provided Prior to File Review (Yes/No); and*
- 5. Amount of Institutional Share*

In addition to the spreadsheet, WCBA must provide a copy of the Student Ledger for all students who received FSEOG Program funds in the 2010-2011 award year.

Finally, the institution must review and revise its policies and procedures to ensure that every student who receives an FSEOG share also receives an institutional share. A copy of WCBA's revised policies and procedures must also be included with the official response to this program review report.

Response:

A review of students receiving FSEOG funds was performed to identify students that did not have matching institution funds posted to the ledger.

Attached:

Exhibit E: *Wards Corner Beauty Academy FSEOG Matching Policy*
Exhibit F: *FSEOG Spreadsheet for File Review*

Finding #5: Untimely Reporting to NSLDS

Noncompliance: WCBA did not report enrollment status data to the National Student Loan Data System (NSLDS) timely for 23 students in the program review sample during the 2009-2010 and 2010-2011 award years.

The following chart provides details regarding the enrollment status of the 23 students.

<u>Student Number</u>	<u>Effective Date of Student Enrollment Status</u>	<u>Status</u>	<u>Date of Determination</u>	<u>Date Certified in NSLDS by Institution</u>
1	1/18/11	Graduated	1/18/11	7/5/11
2	1/5/11	Graduated	1/5/11	7/5/11
3	7/16/10	Withdrawn	N/A	1/18/11
4	11/4/10	Graduated	11/4/10	5/9/11
5	4/16/10	Graduated	4/16/10	9/7/10
6	7/9/10	Graduated	7/9/10	1/18/11
7	1/4/11	Withdrawn	N/A	7/5/11
8	8/14/10	Withdrawn	N/A	1/18/11
9	3/18/10	Withdrawn	N/A	9/7/10
10	8/18/10	Withdrawn	N/A	1/18/10
11	5/14/10	Graduated	5/14/10	11/11/10
12	5/15/10	Graduated	5/15/10	11/11/10
13	1/13/11	Graduated	1/13/10	7/5/11
14	2/16/11	Withdrawn	N/A	7/5/11
15	1/11/11	Graduated	1/11/11	7/5/11
16	10/2/10	Withdrawn	N/A	5/9/11
17	9/24/10	Withdrawn	N/A	3/15/11
18	7/24/10	Withdrawn	N/A	1/18/11
19	2/16/11	Withdrawn	N/A	7/5/11
20	9/8/10	Withdrawn	N/A	3/15/11
21	12/21/10	Graduated	12/21/10	5/9/11
22	7/20/10	Withdrawn	N/A	1/18/11
23	3/5/11	Graduated	3/5/11	7/5/11

The institution's failure to report student enrollment status data timely to NSLDS may delay or prevent the student's eligibility for in-school status, deferment, grace periods, repayments, and the payment of interest subsidies.

Required Action:

Enrollment status reporting is critical for the effective administration of Federal loans and the accuracy of student loan records depends heavily on the information reported by an institution. An institution is ultimately responsible for timely and accurate reporting, even when it uses a third party servicer to submit Enrollment Reporting files.

In response to this finding, WCBA must review and revise the institution's policies and procedures to ensure enrollment status data is reported timely to NSLDS. A copy of WCBA's revised policies and procedures must be included with the official response to this program review report.

Response:

The institution is aware of the importance of keeping the administrative system current so that the information submitted by the 3rd party servicer is accurate and up to date. The institution has revised its policies and procedures for NSLDS reporting.

Attached:

Exhibit G: Wards Corner Beauty Academy NSLDS Policy

Finding #6: Excess Cash Balances Maintained

Noncompliance: WCBA did not disburse Title IV funds within three business days to students for one of the 18 draws from G5 examined by the department.

Per G5, \$19,001 in 2010-2011 Federal Direct Loan Program funds was drawn from G5 on April 26, 2011. The funds were deposited into the institution's bank account on April 27, 2011. According to the Student Ledgers provided for this draw, \$22,316 was disbursed to nine students (\$2,889 on May 3, 2011 and \$19,427 on May 5, 2011). The funds were disbursed one and three business days late, respectively.

An institution's maintenance of excess cash causes a loss to the government in interest expense and could affect the funds available for eligible students at other institutions.

Required Action:

Enrollment status reporting is critical for the effective administration of Federal loan and the accuracy of student loan records depends heavily on the information reported by an institution. An institution is ultimately responsible for timely and accurate reporting, even when it uses their party servicer to submit Enrollment Reporting files.

In response to this finding, WCBA must review and revise the institution's policies and procedures to ensure that enrollment status data is reported timely to NSLDS. A copy of WCBA's revised policies and procedures must be included with the official response to this program review report.

Exhibit II: Wards Corner Beauty Academy Excess Cash Policy

Finding #7: Entrance and Exit Counseling Not Completed

Noncompliance: WCBA did not complete entrance counseling for students #2, 5, and 7. In addition, the institution did not complete exit loan counseling for students #19, 22, 25, 28, and 30.

An institution's failure to provide entrance and exit counseling to students in accordance with Federal requirements may result in increased student loan defaults and cause increased expense for the Department.

Required Action:

In response to this finding, WCBA must conduct a file review of all students who graduated or withdrew from the institution during the 2010-2011 award year. WCBA must send the appropriate exit loan counseling documentation to all students for whom the institution is unable to document sufficient exit loan counseling. The institution must send a list of these students to the Department, along with verification that exit counseling documentation was sent to each student.

WCBA must also review and revise its loan counseling policies and procedures to ensure that all students receive both entrance and exit loan counseling. A copy of WCBA's revised policies and procedures must also be included with the official response to this program review report.

Response:

WCBA must ensure that students receive exit counseling before they leave school. It is the institution's understanding that counseling may be provided in person, (individually or in groups, or using audiovisual materials. Student borrowers should be advised to complete online exit counseling or sign up for a counseling session shortly before graduating or ceasing at least half-time enrollment. One of a borrower's obligations is to participate in an exit counseling session.

If the student borrower drops out without notifying our school, we must confirm that the student has completed online counseling, or mail exit counseling material to the borrower at this or her last known address. The material must be mailed within 30 days of the institution withdrew the student or the student failed to participate in an exit counseling session.

If mailing exit materials, the institution is not required to us certified mail with a return receipt requested, but the institution must document in the student's file that the materials were sent. If the student fails to provide the updated contact information, the institution is not required to take any further action.

During the program review representatives of the institution were questioned as to why exit letters found in student files did not contain the student name and address. Ms. Porter and Ms. Marley were informed that it would be best to provide the student address and name on exit letters rather than utilizing a general letter that stated, "Dear Student". Although this is not a documented requirement in the regulations, the institution agrees that these steps can be completed in the future when completing exit counseling by mail to students.

Upon review of the students that are listed as not having entrance and exit counseling, upon review of these student files, entrance and exit were found. The institution does not agree with this finding and would like this finding reviewed.

Although the institution does not agree with this finding, you will find attachments listed below.

Attached:

Exhibit I: Entrance Counseling for Student #2, #5, and #7

Exhibit J: Wards Corner Beauty Academy Entrance and Exit Counseling Policy

Exhibit K: List of Students for Exit Counseling

Exit Counseling Documentation

Exhibit L: Exit Counseling Booklet utilized by Institution

Finding #8: Campus Security Requirements Not Met

Noncompliance: WCBA did not comply with the reporting requirements of the Clery Act. During its analysis, the Department identified numerous errors and omissions in the institution's 2009 ASR (which was required to be distributed by October 1, 2010).

Here are the components of the violation:

- Categories of Crime not describes properly.
- Arrest/Disciplinary Actions not describes properly.
- No information regarding hate crimes.
- Lack of 1) policies/procedures and consumer information requirements regarding crime reporting/prevention, 2) sexual assault programs to prevent sex offenses/ procedures to follow when an offense occurs, and 3) no information regarding where a list of registered sex offenders may be obtained.
- The January 2011 catalog and Barber and Cosmetology Perspective catalogs reference information obtained from Norfolk Police Department only, but all three catalogs are for the Norfolk and Virginia Beach campuses.
- The January 2011 catalog has crimes reported but does not reference any time periods while the Perspective catalog report no crimes from January 1, 2009 to December 31, 2009.
- The OPE web site noted that six robberies occurred on Public Property for the Norfolk campus in 2008 but there were no robberies in 2007 or 2009. As such, it appears that this data could be inaccurate.

Failure to prepare an accurate and complete ASR and to actively distribute it to current students and employees in accordance with Federal regulations deprives the campus community of important security information.

Required Action:

As a result of this violation, WCBA must ensure that its 2010 SR due no later than October 1, 2011 includes all of the statistical disclosure and policy, procedure, and programmatic information required under 34 C.F.R 668.46 (b). A copy of the 2010 ASR must accompany the institution's response to this program review report. Once the 2010 ASR is evaluated by the review team for accuracy and completeness, WCBA is required to take all necessary steps to ensure that if the report requires revision, the revised ASR is then actively distributed to all currently students and employees in accordance with 34 C.F.R 668.41 (e) and that full compliance with this requirement is documented. WCBA must also develop and implement procedures for preparing and distributing the ASR in accordance with Federal regulations and a copy of these procedures also must accompany the official response to this program review report.

WCBA is advised to review the Department's Campus Safety and Security Reporting Handbook, which provides extensive information in this area. The web address for the Handbook is <http://www2.ed.gov/admins/lead/safety/campus.html>.

Response:

The institution has revised the 2010 Campus Security Reports to include all of the required statistical information, policies and procedures, and programmatic information required under 34 CFR 668.46(b).

Attached:

Exhibit M: Wards Corner Beauty Academy Campus Security Policy
Exhibit N: Copy of Campus Security provided to Students